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National Intelligence Bulletin

May 24, 1975

CONTENTS

25X1
LEBANON: Military government
appointed 1

25X1
LAOS: The situation
remains tense 7

25X1
PORTUGAL: Feuding parties meet with Revolutionary
Council 9

25X1
BURMA: Anti-government protests held 12

25X1
SPAIN - SPANISH SAHARA: Spain prepared to
end role in the Spanish Sahara 13

25X1
AZORES-PORTUGAL: Separatist activity prompts
Lisbon to step up security in the islands 15

25X1
CZECHOSLOVAKIA: Husak to become president 16

25X1
WEST GERMANY: Economic slump continues 18

25X1
FOR THE RECORD 18

National Intelligence Bulletin

May 24, 1975

LEBANON

President Franjiah, in a dramatic attempt to end civil unrest in Beirut, yesterday appointed a predominantly military cabinet headed by a retired security service official. This is Lebanon's first military government since the country became independent in 1943, and it is sure to be considered a threat by Lebanese leftists and the Palestinians.

The New Government

The new prime minister, 76-year-old Brigadier General Nur al-Din Rafai, is essentially an apolitical figure who has stayed out of public life since his retirement as head of the security services in 1962. He is a Sunni Muslim—required of all Lebanese prime ministers—and is known for his authoritarian ideas on public security. Six of the eight members of his government are army officers who will apparently retain their military posts while serving in the cabinet.

President Franjiah almost certainly turned to the strategy of installing a military government out of a conviction that no foreseeable civilian coalition could deal effectively with the deteriorating security situation; some 150 persons were killed in Beirut last month and perhaps 40 more this week. Religious and political tensions have grown steadily among the country's traditional political leaders, both between Christians and Muslims and within each group. Christian political groups have been at odds with one another over how to deal with the fedayeen, while Muslim factions have been reduced to intramural clashes over who should form the next government.

Franjiah's action will be applauded by right-wing elements, including the large Phalanges Party, which for four days has been engaged in armed clashes with radical fedayeen in a Beirut suburb. The conservative Christian parties have repeatedly called for more forceful action by the government and the armed forces in restricting the activities of Palestinian commandos in Lebanon.

Lebanese leftists and the fedayeen will see the new government as a threat to the continued presence of fedayeen forces in Lebanon. They will be especially upset with the appointment of the army commander in chief as defense minister. The leftists have called for his replacement since the outbreak of fighting between the army and fedayeen in Sidon last February.

For the moment, major fedayeen and leftist leaders are withholding comment on the new government. They are probably undecided on how to react to Franjiah's unexpected initiative, and moderates among them are hopeful that the cease-fire that went into effect last night will hold.

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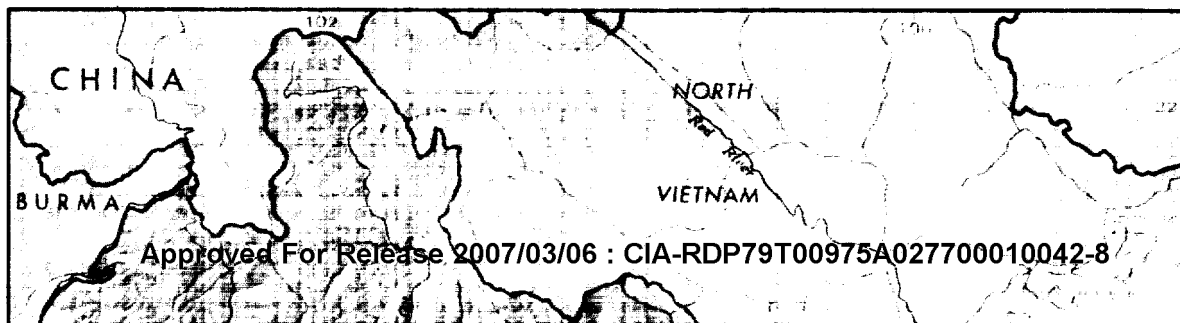
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25X1

Approved For Release 2007/03/06 : CIA-RDP79T00975A027700010042-8



National Intelligence Bulletin

May 24, 1975

LAOS

The situation in Vientiane remains tense, as communist-inspired students and communist troops continue their occupation of several AID facilities in and around the capital.

Communist members of the city's joint military security force are guarding the main entrance to a large American residential housing compound just north of Vientiane. It took considerable haggling by US officials before the soldiers finally permitted more than 100 American dependents to leave the compound for Wattay airport yesterday. The dependents were subsequently evacuated to Thailand.

Some 150 to 200 demonstrators—many reportedly Lao employees of USAID—briefly blocked off the US embassy in Vientiane today. The occupation of the main AID compound by communist-inspired demonstrators has kept many local employees from drawing their pay and this apparently prompted the action at the embassy. Efforts by US officials to spark negotiations between the unpaid AID employees and the communist-inspired demonstrators were not fruitful. At last report about 50 demonstrators remained outside the embassy.

The coalition government's joint peace-keeping commission, at the strong insistence of the communists, recently agreed to permit both sides to station combat troops, tanks, armored cars, and antiaircraft artillery in Vientiane, ostensibly to safeguard the capital's neutrality. For the non-communist Royal Lao Army, however, the agreement is strictly academic; it is leaderless, disorganized, and ineffective.

Meo Migration

The situation in the hill country north of Vientiane reportedly has become very unstable. Large numbers of Meo tribesmen are said to be trying to follow their leader, General Vang Pao, to Thailand.

Some 11,000 Meo have begun moving across Laos toward northern Thailand. As many as 50,000 additional Meo, said to be heavily armed and led by former

National Intelligence Bulletin

May 24, 1975

guerrilla officers, reportedly have assembled at Ban Xon—one of Vang Pao's former bases near the Plaine des Jarres. They have said that unless Vang Pao returns to Laos, they, too, will leave for Thailand.

Vang Pao, who is at Nam Phong in northeast Thailand along with some 5,000 of his followers, has made serious efforts to discourage any further migration by the Meos to Thailand. The general, however, believes that he is now powerless to stop an exodus.

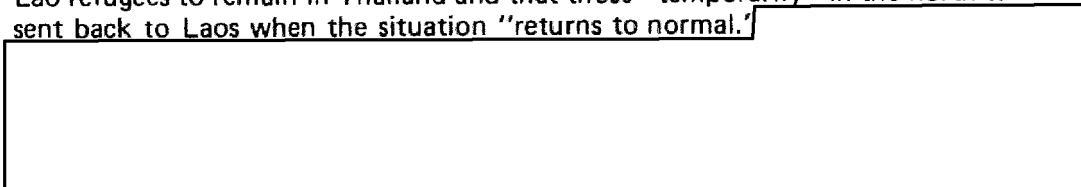
The communists in Vientiane would like to stop such an exodus, fearing that the presence of the Meos along the Thai border would pose a threat to them. Communist Deputy Prime Minister Phoumi Vongvichit has asked the Thai government to expel Vang Pao's forces and to take similar action against a group of recently ousted rightist politicians and generals, who, Phoumi claims, have set up a Lao government in exile in Bangkok.

Thais Embarrassed

The presence of prominent Lao rightists in Thailand is clearly an embarrassment to Bangkok, but we have no evidence that a shadow regime has actually been formed in the Thai capital. The Thai would almost certainly not countenance such a move because of their strong desire for good relations with their communist neighbors.

The Meos pose a difficult problem for politicians and foreign policy-makers in Bangkok, who are already embarrassed by the large numbers of Cambodian and Vietnamese refugees in Thailand. Some Thai military leaders, however, might privately welcome Vang Pao's army in the border area as a buffer against possible future aggression from Laos and as a potential valuable weapon against Thai communist insurgents. The Bangkok press has heard of the Meo migration, however, and the possibility of student demonstrations against their presence cannot be ruled out.

Thai officials have taken steps to defuse the issue. Defense Minister Praman yesterday announced that the government has a "definite" policy of not allowing Lao refugees to remain in Thailand and that those "temporarily" in the north will be sent back to Laos when the situation "returns to normal."



National Intelligence Bulletin

May 24, 1975

PORTUGAL

Leaders of the Portuguese Communist and Socialist parties yesterday began separate talks with members of the ruling Revolutionary Council in an effort to save the governing coalition from collapse.

Socialist leader Soares emerged after the four-hour meeting with military leaders saying only that the future will show whether the meeting had been a success. The Council then began its session with the Communists. The Socialists are due to meet with the Council again next week. The Movement's general assembly may also consider the interparty conflict on Monday.

Much of the responsibility for the outcome lies with the Socialists, who have turned the closing of their newspaper into a test of the military's intentions toward representative government. The Socialists believe that if they do not challenge the government on this issue, their position will deteriorate to the benefit of the Communists. The Socialist challenge is supported by the Popular Democrats and some parties of the extreme left.

The Communists have warned that if the Socialists break up the coalition government there will be no need for the constituent assembly, now scheduled to convene on June 2. The Communist Party's primary aim, however, is to maintain its influence with the Armed Forces Movement. The Communists, therefore, will probably heed the Movement's wishes and negotiate with the Socialists. At the same time, Communist leader Cunhal is preparing for a possible ban on political party activity.

25X1 [redacted] the Movement is divided over the issue of political parties, but that a slight majority of the Revolutionary Council favor a multiparty solution. [redacted] many Movement members resent the Communists' power play in taking over the newspaper.

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The Spanish, meanwhile, are becoming more alarmed with Portugal's move to the left, the potential threat to the political parties, and the breakdown in military discipline. A Spanish Foreign Ministry official has said that Spain will continue its policy of strict nonintervention in Portugal's affairs, despite provocations. Spain, he said, will ignore the majority of the provocations and protest only the most serious.

25X1 Portuguese General Otelo de Carvalho, for instance, recently gave an interview to the Spanish media in which he referred to "socializing Iberia." The Spanish government refused to allow the interview to be broadcast, but did not lodge a formal complaint. [redacted]

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National Intelligence Bulletin

May 24, 1975

BURMA

Burmese students and workers are again staging anti-government protests in Rangoon, but it seems unlikely that the disturbances will approach the scope of those last year.

Rangoon University students have held two brief, relatively peaceful protests this month over alleged police brutality. The university has just reopened after being shut down last December during student demonstrations over the government's handling of the funeral of former UN secretary general U Thant.

Workers at several factories in the Rangoon area are engaging in slowdown strikes to demand larger food rations and wage increases. Some workers reportedly hope to organize a more extensive strike early next month, the first anniversary of violent labor protests in Rangoon.

Students and workers in general have little love for the government, but many may be reluctant to join in protests again so soon after authorities used troops to put down the earlier demonstrations. There is no sign that the students and workers are coordinating their anti-government efforts.

The government so far is reacting cautiously, but some students and workers have been arrested. If the protests spread, the regime will not hesitate to use force to bring the situation under control.

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National Intelligence Bulletin

May 24, 1975

SPAIN - SPANISH SAHARA

The Spanish government announced yesterday that it is prepared to end its role in Spanish Sahara if the process of self-determination which Madrid has planned is delayed. In such a case, the announcement said, Spain would be prepared to hand over power in the territory after first informing the UN. The announcement did not say to whom the power would be handed.

Spanish Foreign Minister Cortina told the US ambassador on Thursday that Spain hoped to get an agreement from Morocco, Mauritania, and Algeria to begin direct negotiations and guarantee the peace pending the outcome. Cortina said Madrid was not prepared to have this matter drag on interminably. If negotiations proved impossible and the International Court of Justice decision expected in October led to no agreement, Spain might withdraw completely.

Spain's position has been that a referendum should be held under UN auspices. Consideration of a referendum has been postponed pending the International Court's decision, but Cortina did not say that Spain had given up on the idea.

Morocco has argued that this is a bilateral dispute with Spain that should be negotiated. Rabat might be willing to include Mauritania, but is opposed to Algerian involvement.

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National Intelligence Bulletin

May 24, 1975

AZORES-PORTUGAL

Lisbon has demonstrated its concern over the growth of separatist activities in the Azores by stepping up security measures in the islands.

This week, Portuguese security forces initiated regular patrols of Ponta Delgada, the capital of the main island of Sao Miguel, and cars are being stopped and searched at roadblocks. The US consulate reports that in the past few days, Portuguese ships have unloaded military supplies, including trucks and jeeps, suggesting that additional security forces may soon be arriving from the mainland.

Separatist activity has been increasing in recent weeks. Earlier this month, separatist wall slogans began to appear and leaflets were issued calling for independence and an end to Portugal's "colonial economic exploitation." Separatists may have been responsible for two recent cases of suspected arson. [REDACTED]

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[REDACTED] the primary goal is to force Lisbon to hold a referendum on Azorean independence.

[REDACTED] the separatists plan to announce an Azorean government in exile. The announcement—apparently authorized by the Azorean Liberation Front—reportedly will be made soon by Azoreans in the US and could have an impact on Washington's negotiations with Lisbon on renewal of base rights in the Azores. [REDACTED]

National Intelligence Bulletin

May 24, 1975

CZECHOSLOVAKIA

Party chief Gustav Husak will probably be named president next week, replacing the aged and ailing General Ludvik Svoboda. Husak will almost certainly continue as party leader.



The change in presidents does not portend any change either in Czechoslovak policy toward the US or in Prague's subservience to Moscow. As president, Husak would have the opportunity for expanded contacts with visiting foreign dignitaries, particularly from the West. He may also do more traveling in the West, in an effort to refurbish Czechoslovakia's tarnished image.

Husak's decision to hold both the country's top party and state posts would not be unprecedented in Czechoslovakia. Some reports, however, say that he will wear the two top hats only until the party congress next spring. This arrangement could lead to jockeying for position by those who see themselves in line for Husak's party mantle.



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National Intelligence Bulletin

May 24, 1975

WEST GERMANY

The preliminary first-quarter figures for West Germany's gross national product, released in Bonn this week, show no letup in the country's economic slump. Real gross national product declined at a 6-percent annual rate, the same as in the last quarter of 1974. Sagging exports—down some 10 percent in volume—apparently accounted for much of the drop.

Indications of further slippage since March make it very unlikely that Bonn's forecast of 2-percent growth in 1975 will be realized. There is a strong possibility that the gross national product will decline for the year as a whole.

The Bundesbank has responded to the first-quarter results by cutting the discount rate from 5 to 4.5 percent. While an official spokesman admitted Bonn's disappointment, no new major expansionary measures are likely. The Schmidt government still hopes for a recovery in the second half of the year, and is determined to avoid rekindling inflation.

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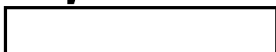
FOR THE RECORD

CUBA: Cuban Deputy Prime Minister Carlos Rafael Rodriguez has signed a trade agreement with the United Kingdom that will give Cuba medium-term credits of at least \$580 million for purchasing British capital goods. This is the third major trade deal the Cubans have made with a West European country since last December. Earlier, Cuba had obtained about \$350 million in trade credits from the French and \$900 million from the Spanish; the Cubans secured \$100 million in credits from Canada in late March. Cuba's improved economic situation has made it an attractive market for Western countries eager to expand exports.

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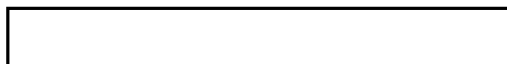
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